

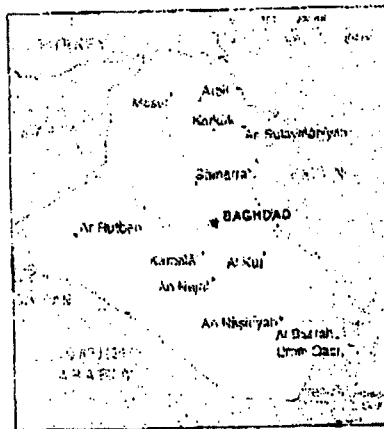
# **EXHIBIT B**

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AWB (International) LIMITED

Market Brief

1<sup>st</sup> Quarter 2003

Iraq

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Market Brief - Iraq

AWB.0267.0263.12

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Market Brief - Iraq

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## 1 Market Strategy

### 1.1 Strategic Overview

The National Pool allocation for the market as at 4 November 2002 is . Note that allocations are regularly reviewed in light of changing market conditions and the quality profile delivered at harvest.

- u Increase C&F premium from to
- u Reduce costs associated with execution into market to increase return to AWB(I).
- u Maintain 100% CNF business, and maximise opportunities to leverage of Iraq freight business to other regional markets.
- u Strengthen and develop an open relationship with IGB, targeting Director General.
- u Secure dominant market share for long term benefits of AWB(I).
- u Increase development of the Iraqi grain market, with the provision of equipment, technical training and on-shore / off shore courses.

### 1.2 Product Strategy

- u Maintain 50/50 split between and for logistical purposes and reducing Australian production risk.
- u Ensure quality product is loaded, therefore not increasing rejection risk. *3 common practices.*
- u Do not load Durum or stained General Purpose wheat.
- u Provide Phostoxin for fumigation of any infestations at discharge port.

### 1.3 Discriminatory Pricing Strategy

- u Prices include approximately worth of costs excluding War Risk and currency option.
- u All suppliers sell Free In Truck to all government of IRAQ.
- u Gross FOB values are over HWO ex Gulf. *1.7*
- u Net FOB = HWO + for C&F.
- u Net FOB = HWO + for C&F.
- u NO USA wheat traded - but HWO used as comparison grade.

AWB will include the additional cost of executing business into the Iraqi wheat contracts. The cost breakdown is as follows:

AWB factor in the following costs, associated with the execution of Iraqi contracts.

- Demurrage:
- Finance:
- Shrink:
- Rejection:
- Equipment:
- EURO Protection Option
- WAR RISK:
- Insurance (cargo)

Total:

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Market Brief - Iraq

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#### 1.4 Logistics and Freight Strategy

- u Continue to confirm contracts as 100% C&F.
- u Include freight options in contracts to minimise risk and take advantage of falling markets.
- u Inspect all vessels that have carried fertiliser or coal prior to loading.
- u Conclude freight contracts with a balance of Panamax and Handysize vessels to compliment EPM clearance strategy.
- u Monitor and provide a discharge sheet of Umm Qasr on a daily basis.
- u Plan loadings with chartering, EPM, contracts administration and IS&M for each month.
- u Combine parcels to Arabian Gulf to achieve increased market share and reduced freight rates.
- u Monitor demurrage costs and adjust logistics plan accordingly.
- u Include charterer's liability, defence, demurrage and P&I insurance.

#### 1.5 Promotions and Branding

- u Brand all equipment where practical to increase market awareness of AWB(I) support.
- u No major branding strategy will be implemented whilst government controlled market and Oil for Food program in place.
- u Attend Baghdad Trade Fair to increase market awareness of AWB(I) support.

#### Sales Plan:

##### Targets:

Mr. Yousif	-	Director General - Grain Board of Iraq
Miss Moona	-	Assistant to DG - Grain Board of Iraq
Dr Khalid Al-Obeidy	-	Head of laboratory
H.E. Mohammed Medhi Saleh	-	Minister of Trade

AWB has targeted Dr Khalid Al-Obeidy, nominating him to be the Iraqi representative on the ICC. This will be used to establish a stronger position when quality becomes an issue and to avoid rejections.

A strong and trusting relationship needs to be continued with Mr Yousif and H E Mohammed Medhi Saleh, who are the decision makers.

AWB has already established relationships with DFAT, the UN Mission in NY and UN Treasury (via AWB Portland office) to ensure smooth contract execution.

##### Visits:

- u 3-4 market visits per year.
- u Bring CEO and Chairman into the market place once a year.
- u An annual invitation for senior delegation from Ministry of Trade, including Mr Yousif, to visit Australia.

#### 1.6 Technical Service

- u Target equipment to reduce demurrage costs at the port of Umm Qasr.
- u Target training to educate IGB on grain quality to reduce potential rejections.
- u Provide invitation to DG to further strengthen relationship.
- u Include Iraq as member of ICC.

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Market Brief - Iraq

## 2 Performance in 01/02

- Despite the disruption in the sales program, premiums to Iraq increased by around 50% over all contracts.
- Iraq rejected vessels in August 2002, but a senior delegation went to the country to negotiate, successfully, the continued program of wheat sales. However a penalty was applied to 'contaminated' vessels.
- Maximised returns through Iraqi freight combinations into Arabian Gulf markets.

## 3 Market Analysis

### 3.1 Market Influences

Iraq is a high risk market, however, the returns justify the risk. AWB is the dominant supplier to Iraq, and as such, AWB(I) can absorb greater risk using economies of scale.

Obviously, AWB(I)'s greatest threat is some form of military conflict, which will stop or disrupt the supply of Australian wheat. This will have a significant impact on the pool and underwriting.

### 3.2 SWOT Analysis

#### Strengths

- Dominant market share position.
- Economies of scale to reduce risk exposures.
- Long, well established relationship.
- Highly recognised quality product.
- Market dist for Australian wheat.
- Professional managers of risk and contract execution.
- High quality management systems ensuring rejections minimised.
- Geographically freight advantageous.
- 100% C&F business, controlling logistics.

#### Weaknesses

- Heavy reliance upon this market for APW pool.
- United Nations contracting / payment system.
- Difficulty managing European currency without risk.
- Restricted control on discharge port.

#### Opportunities

- Execution cost reduction through efficient management.
- Greater involvement in the discharge port of Umm Qasr.
- Supply of other products from Australia such as pulses and barley.
- Deregulation of market, and maintaining leadership market position.

#### Threats

- Regional conflict and sanctions.
- War Risk.
- Political relationship favouring Russian and other Middle Eastern trading partners.
- Australian crop production.
- Continuation of UN Oil for Food Program.

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- Iraq discontinuing to produce oil revenues.
- Tighter quality requirements, increasing rejection risk.
- Removal of single desk, eroding premiums.

### 3.3 Supply

- Annual demand figure between 3.1 - 3.3 million
- Purchases made under 2 x 6 month, Oil for food PHASES
- Year 2001/02 - Phases 10, 11, 12 will be shipped against.
- Local Production ~ 1 million tonnes
- Purchase AWB APW Indian, Pakistan, Argentinean, Hungarian
- No USA or Canadian being shipped in 2001/02.

#### 3.3.1 Imports

Table 1: AWB(I) Historical Imports by Grade - Iraq July-June)

	Imports 000 Tonnes					
	96/97	97/98	98/99	99/00	00/01	01/02*
AH						
APW						
Total						
Share						

#### 3.3.2 Competition

Table 2: Imports by Origin - Iraq (July - June)

	000 Tonnes						
	96/97	97/98	98/99	99/00	00/01	01/02*	02/03**
Argentina**	100	106	209	196	318	583	350
Australia	556	1,382	1,137	2,256	2,576	2,215	1,290
Canada	0	0	0	262	310	0	
EU	344	316	99	0	0	0	750
USA	30	781	262	0	0	0	
Others***					87	135	610
Total	1,030	2,584	1,707	2,724	3,302	2,933	3,000

\*2001/02 not a complete data set. 2002/03 (precast)

\*\*2001/02 Argentina figure includes shipments to Syria which are known to AWB as final destination Iraq.

\*\*\*These are AWB's sources sales/shipments to Iraq: they may not be a complete representation of other origin sales.

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Market Brief - Iraq

- 1 Mixture of flour, salt, yeast and water (all hand measured).
- 2 Traditional Tandoor used is a clay oven (wood fired) - some home made, steel, gas fired Tandoors are now also being used.